



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://cao.co.la.ca.us>

DAVID E. JANSSEN
Chief Administrative Officer

Board of Supervisors
GLORIA MOLINA
First District
YVONNE BRATHWAITE BURKE
Second District
ZEV YAROSLAVSKY
Third District
DON KNABE
Fourth District
MICHAEL D. ANTONOVICH
Fifth District

September 16, 2003

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**ADJUSTMENTS TO THE FISCAL YEAR (FY) 2003-04 ADOPTED COUNTY BUDGET
TO REFLECT CHANGES NECESSITATED BY FINAL ACTIONS
ON THE FY 2003-04 STATE BUDGET
(All Districts) (4-Votes)**

IT IS RECOMMENDED THAT YOUR BOARD:

Approve the attached appropriation adjustment appropriating \$170.5 million from the Appropriation for Contingency, appropriating \$12.0 million in additional Property Tax revenue, and reducing various department budgets by \$3.5 million, as specified, to reflect final actions on the State's FY 2003-04 Budget.

IMPACT OF STATE BUDGET ACTIONS

On July 29, 2003, we reported that the recently adopted State Budget for FY 2003-04 would have a negative financial impact upon Los Angeles County of between \$233 and \$306 million. Since that time, we have further analyzed the State Budget and estimate its impact to be \$273.1 million, of which \$160 million is the estimated reduction in Vehicle License Fee (VLF) revenues and \$38.9 million represents the deferral of mandate reimbursement.

Some of the reductions are already addressed in our Adopted Budget for Fiscal Year 2003-04, others have been addressed internally by departments with alternative revenues, and some will not actually impact us until Fiscal Year 2004-05. However,

\$186.0 million in State cuts need to be addressed through changes to our Adopted Budget.

Some of the State cuts, such as the VLF and deferral of mandate reimbursements, are of a one-time nature or can be considered a loan of County funds to the State to be reimbursed in the future. Other cuts are ongoing. I am proposing the use of funds from the Appropriation for Contingencies to avoid drastic program impacts for what are intended to be one-time cuts. In other instances, I am proposing to fund ongoing reductions in General Fund departments with anticipated increases in property tax collections where we have no flexibility to reduce the department's budgets. I am proposing that departments absorb reductions resulting from the elimination of mandates where the mandate has been lifted by the State or in those instances where grant support has been reduced. A brief discussion of each of these cuts follows:

Reductions Necessary to Bring the Budget Into Balance (\$186.0 million)

- **\$160.0 million** of one-time VLF backfill losses are recommended to be financed from the Appropriation for Contingency to avoid broad program curtailments.
- **\$10.5 million** in one-time Federal Child Support System penalties (actual amount - \$10,509,000) are recommended to be financed from the Appropriation for Contingencies.
- **\$10.0 million** in undesignated court fees that are shifted to the courts are recommended to be offset by anticipated increases in property tax revenues.
- **\$2.0 million** in potential civil jury fee losses are recommended to be funded with anticipated increases in property tax revenues; however, the appropriation is contained in Provisional Financing Uses, as we pursue alternative relief through a reduction in our Trial Court Funding Maintenance of Effort (MOE).
- **\$1.6 million** in reduced funding for the Public Library will require a reduction in their books and materials budget (actual amount - \$1,572,000). This reduction can be restored from excess Library fund balance that accrued to the County's general fund as a result of a prior Board action.
- **\$0.5 million** in reduced Citizens' Option for Public Safety (COPS) funding will require the District Attorney to curtail Salaries and Employee Benefits by a like amount (actual amount - \$471,000).

- **\$0.5 million** in reduced COPS funding will require a curtailment in Services and Supplies within the Sheriff's Custody Budget by a like amount (actual amount - \$471,000).
- **\$0.1 million** in reduced assistance to the Arts Commission will necessitate equivalent reductions in funding for the Annual Holiday Celebration (\$30,000) and the Arts Education Project (\$111,000).
- **\$0.6 million** in reduced revenue due to the suspension of various mandates will require the Sheriff to reduce Fixed Assets by \$50,000 in Administration, by \$479,000 in Custody, and by \$100,000 in Court Services.
- **\$0.2 million** in reduced revenue due to the suspension of the Domestic Violence Treatment and Case Management mandate will require the Probation Department to eliminate 2.0 positions to achieve equivalent savings in salaries and employee benefits.

In addition to the reductions discussed above, over \$85 million in cuts are already incorporated into our Adopted Budget for Fiscal Year 2003-04, will not have to be addressed until Fiscal Year 2004-05, or have been backfilled by departments with alternative revenue sources. Each of these State cuts and their impact upon programs are discussed below:

Reductions Already In The County's Budget For FY 2003-04 (\$78.6 million)

- **\$38.9 million** in deferred mandate payments is funded by reserves to avoid individual department losses and program reductions.
- **\$18.0 million** in reduced AB 2928 allocations was already reflected in the Adopted Budget for the Public Works - Road Fund. Some maintenance and construction projects will be delayed.
- **\$1.9 million** in increased California Youth Authority (CYA) fees have already been financed in the Probation Department's budget for FY 03-04.
- **\$0.5 million** in reduced assistance for Trauma Care was already addressed in the Adopted Budget with financing from Measure B.
- **\$7.0 million**, representing this County's share of reductions in Mental Health Managed Care, are already reflected in our Adopted Budget.

- **\$10.6 million** in reductions to Child Support Services' administrative budget have been offset by a variety of program reductions, an Enhanced Voluntary Time Off Program and State authorization to use health insurance incentive payments held in trust.
- **\$1.7 million** in potential Workers' Compensation user fee increases are already funded in the Adopted Budget.

Reductions Addressed By Departments With Alternatives To Cuts (\$8.5 million)

- **\$1.0 million** in reduced grant assistance for the District Attorney is expected to be offset by other grant funds.
- **\$1.6 million** in reduced High Tech grant funds will not have an impact in FY 03-04 as prior year grant funds are being used. Any programmatic impact will occur in FY 04-05.
- **\$2.3 million** in reduced Juvenile Crime Prevention Grant funds for Probation will not have an impact in FY 03-04. The actual reduction of \$4.6 million will not occur until the allocation is received in FY 04-05.
- **\$3.6 million** in reduced funding for Alcohol and Drug Programs is expected to be offset by other State grant funds.

UNRESOLVED BUDGET ISSUES (\$3.2 million)

In addition to the items listed above, several State Budget issues remain open while trailer bills await concurrence by the opposite house. The issues still open are:

- **\$0.8 million** in booking fees that the Sheriff charges cities and schools. The Senate proposed to delete counties' authority to collect those fees and the backfill for the billed agencies. To date, the Assembly has not concurred with the Senate proposal.
- **\$2.0 million** in Local Assistance for Training Grant funds for the Probation Department. The Assembly proposed to restore these funds; however, Senate concurrence has not yet occurred.

- **\$0.4 million** in Front Line Law Enforcement funds (actual amount - \$350,000) from the COPS Program will likely be lost. Your Board has to allocate those funds during a Public Hearing that will take place in the near future. Specific budget adjustments will be addressed at that time.

Even when final Legislative actions are concluded, there will remain a number of unresolved budget issues. In some instances we have to wait for final allocation letters for departments such as Children and Family Services and Public Social Services. Final allocations might necessitate subsequent action by your Board.

CUTS TREATED AS DEFERRALS AND LOANS

The State's budget problems are not new. They began to emerge in Fiscal Year 2001-02 and corrective actions involving local assistance began at that time with the deferral of some SB90 (Mandate) reimbursements. Deferrals to date total \$77.8 million; \$3.1 million in FY 01-02, \$35.8 million in FY 02-03 and \$38.9 million in FY 03-04. The State is treating these deferrals as loans; however, no date for repayment has been established.

Continuing its reliance upon borrowing to deal with its ongoing budget problem, the State eliminated the backfill for VLF before higher fees would be implemented. This created an estimated \$160.0 million gap for Los Angeles County; however, the State is treating this as a loan and is scheduled to repay this amount by August 15, 2006. There is no provision for the payment of interest.

In combination, the deferral of mandate reimbursement and the VLF gap total nearly \$240 million. Program reductions are unwarranted when future payment, although time frames may be uncertain, are promised. Therefore we have recommended and, in the case of mandate reimbursement, your Board has already approved the use of reserves as alternatives to program cuts.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The recommendations included in this letter represent adjustments necessary to bring appropriations into balance with our best estimate of available financing. It is important to note that these are still estimates based on historical allocations of State funding, as in many instances, the State has not yet determined the actual allocations for counties. Once this information is available, additional adjustments may be required.

FISCAL IMPACT

The fiscal impact of these recommendations are those stated above, and are necessary to keep the financing requirements of the County's budget in balance with available financing.

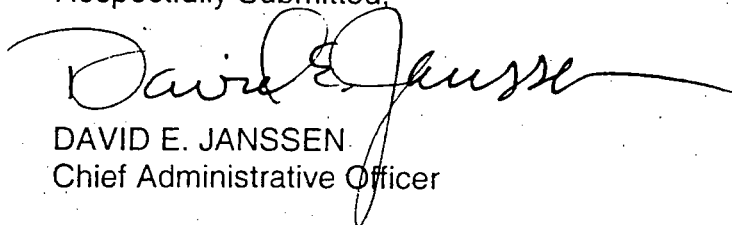
IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommended actions support the County's Strategic Plan Goal #4 of fiscal responsibility by reducing program requirements to reflect the funding available while minimizing, to the extent possible, impact upon ongoing programs.

JUSTIFICATION OF RECOMMENDED ACTION

Despite the negative impact that the recommended actions may have upon some programs, we believe it is necessary to take the recommended actions as the State's budget problems continue and mitigating relief is unlikely in the near future.

Respectfully Submitted,



DAVID E. JANSSEN
Chief Administrative Officer

DEJ:SRH:DL
RLM:lbm

Attachments

c: Each Department Head

COUNTY OF LOS ANGELES
REQUEST FOR APPROPRIATION ADJUSTMENT
DEPARTMENT OF CHIEF ADMINISTRATIVE OFFICE

DEPT'S.
No.

060

Sept 16, 2003
19

AUDITOR-CONTROLLER.

THE FOLLOWING APPROPRIATION ADJUSTMENT IS DEEMED NECESSARY BY THIS DEPARTMENT. WILL YOU PLEASE REPORT AS TO ACCOUNTING AND AVAILABLE BALANCES AND FORWARD TO THE CHIEF ADMINISTRATIVE OFFICER FOR HIS RECOMMENDATION OR ACTION.

ADJUSTMENT REQUESTED AND REASONS THEREFOR

FY 2003 - 04

4 - Vote

SOURCES:

Appropriation for Contingencies
A01-3303
\$170,509,000

USES:

Non-departmental Revenue
Decrease VLF Revenue
A01-ND-10001-8715
\$160,000,000

Child Support Services
Increase Other Charges
A01-CD-14280-5500
\$10,509,000

JUSTIFICATION:

Reflects the anticipated 3-month Vehicle License Fee (VLF) revenue backfill loss as a direct result of the State's elimination of the General Fund backfill, and the State's requirement that County's finance 25% of Federal penalties for not having a Statewide EDP System.

CHIEF ADMINISTRATIVE OFFICER'S REPORT

76R 352M 11/83

COUNTY OF LOS ANGELES
REQUEST FOR APPROPRIATION ADJUSTMENT
DEPARTMENT OF CHIEF ADMINISTRATIVE OFFICE

DEPT'S.
No.

060

Sept 16, 2003
19

AUDITOR-CONTROLLER.

THE FOLLOWING APPROPRIATION ADJUSTMENT IS DEEMED NECESSARY BY THIS DEPARTMENT. WILL YOU PLEASE REPORT AS TO ACCOUNTING AND AVAILABLE BALANCES AND FORWARD TO THE CHIEF ADMINISTRATIVE OFFICER FOR HIS RECOMMENDATION OR ACTION.

ADJUSTMENT REQUESTED AND REASONS THEREFOR

FY 2003 - 04

4 - Vote

SOURCES:

Property Taxes
A01-AO-99999-8003
\$10,000,000

USES:

AC Superior Court
Decrease Miscellaneous Revenue
A01-SC-10451-9275
\$10,000,000

JUSTIFICATION:

Reflects the State's transfer of \$10.0 million in revenue from the County to State.

CHIEF ADMINISTRATIVE OFFICER'S REPORT

COUNTY OF LOS ANGELES
REQUEST FOR APPROPRIATION ADJUSTMENT
DEPARTMENT OF CHIEF ADMINISTRATIVE OFFICE

DEPT'S. No. 060
Sept 16, 2003
19

AUDITOR-CONTROLLER.

THE FOLLOWING APPROPRIATION ADJUSTMENT IS DEEMED NECESSARY BY THIS DEPARTMENT. WILL YOU PLEASE REPORT AS TO ACCOUNTING AND AVAILABLE BALANCES AND FORWARD TO THE CHIEF ADMINISTRATIVE OFFICER FOR HIS RECOMMENDATION OR ACTION.

ADJUSTMENT REQUESTED AND REASONS THEREFOR

FY 2003 - 04

4 - Vote

SOURCES:

Property Taxes
A01-AO-99999-8007
\$2,000,000

USES:

PFU-Justice Department
Increase Services & Supplies
A01-BS-13758-2000
\$2,000,000

JUSTIFICATION:

Reflects the anticipated reduction of \$2.0 million in Superior Court-Civil Jury Fees. The increased net County cost will be reflected in Provisional Financing Uses.

CHIEF ADMINISTRATIVE OFFICER'S REPORT

COUNTY OF LOS ANGELES
REQUEST FOR APPROPRIATION ADJUSTMENT
CHIEF ADMINISTRATIVE OFFICE
DEPARTMENT OF _____

DEPT'S.
NO.

060

Sept 16, 2003
19**AUDITOR-CONTROLLER.**

THE FOLLOWING APPROPRIATION ADJUSTMENT IS DEEMED NECESSARY BY THIS DEPARTMENT. WILL YOU PLEASE REPORT AS TO ACCOUNTING AND AVAILABLE BALANCES AND FORWARD TO THE CHIEF ADMINISTRATIVE OFFICER FOR HIS RECOMMENDATION OR ACTION.

ADJUSTMENT REQUESTED AND REASONS THEREFOR

FY 2003 - 04

4 - Vote

SOURCES:

Public Library
Decrease Services & Supplies
B06-PL-41200-2000
\$1,572,000

USES:

Public Library
Decrease State Other Revenue
B06-PL-41200-8831
\$1,572,000

JUSTIFICATION:

Reflects a reduction in funding from the State Public Library Fund.

CHIEF ADMINISTRATIVE OFFICER'S REPORT

COUNTY OF LOS ANGELES
REQUEST FOR APPROPRIATION ADJUSTMENT
DEPARTMENT OF CHIEF ADMINISTRATIVE OFFICE

DEPT'S.
No.

060

Sept 16, 2003

AUDITOR-CONTROLLER.

THE FOLLOWING APPROPRIATION ADJUSTMENT IS DEEMED NECESSARY BY THIS DEPARTMENT. WILL YOU PLEASE REPORT AS TO ACCOUNTING AND AVAILABLE BALANCES AND FORWARD TO THE CHIEF ADMINISTRATIVE OFFICER FOR HIS RECOMMENDATION OR ACTION.

ADJUSTMENT REQUESTED AND REASONS THEREFOR

FY 2003 - 04

4 - Vote

SOURCES:

District Attorney
Decrease Salaries & EB
A01-DA-14030-1000
\$471,000

USES:

District Attorney
Decrease Revenue-State COPS
A01-DA-14030-8909
\$471,000

JUSTIFICATION:

Reflects reduced State Citizens' Option for Public Safety (COPS) funds.
Note: Number of budgeted positions affected are undetermined at this time.

CHIEF ADMINISTRATIVE OFFICER'S REPORT

76R 352M 11/83

COUNTY OF LOS ANGELES
REQUEST FOR APPROPRIATION ADJUSTMENT
DEPARTMENT OF CHIEF ADMINISTRATIVE OFFICE

DEPT'S.
No.

060

Sept 16, 2003
19

AUDITOR-CONTROLLER.

THE FOLLOWING APPROPRIATION ADJUSTMENT IS DEEMED NECESSARY BY THIS DEPARTMENT. WILL YOU PLEASE REPORT AS TO ACCOUNTING AND AVAILABLE BALANCES AND FORWARD TO THE CHIEF ADMINISTRATIVE OFFICER FOR HIS RECOMMENDATION OR ACTION.

ADJUSTMENT REQUESTED AND REASONS THEREFOR

FY 2003 - 04

4 - Vote

SOURCES:

Sheriff's Department
Decrease Services & Supplies
A01-SH-15685-2000
\$471,000

USES:

Sheriff's Department
Decrease Revenue State COPS
A01-SH-15685-8831
\$471,000

JUSTIFICATION:

Reflects reduced State Citizens' Option for Public Safety (COPS) funds.

CHIEF ADMINISTRATIVE OFFICER'S REPORT

COUNTY OF LOS ANGELES
REQUEST FOR APPROPRIATION ADJUSTMENT
DEPARTMENT OF CHIEF ADMINISTRATIVE OFFICE

DEPT'S.
No.

060

Sept 16, 2003

AUDITOR-CONTROLLER.

THE FOLLOWING APPROPRIATION ADJUSTMENT IS DEEMED NECESSARY BY THIS DEPARTMENT. WILL YOU PLEASE REPORT AS TO ACCOUNTING AND AVAILABLE BALANCES AND FORWARD TO THE CHIEF ADMINISTRATIVE OFFICER FOR HIS RECOMMENDATION OR ACTION.

ADJUSTMENT REQUESTED AND REASONS THEREFOR

FY 2003 - 04

4 - Vote

SOURCES:

Arts Commission
Decrease Services & Supplies
A01-BS-28400-2000
\$141,000

USES:

Arts Commission
Decrease Revenue-State
A01-BS-28400-8831
\$141,000

JUSTIFICATION:

Reflects reduced funding from the California Arts Council fro the Art Education program.

CHIEF ADMINISTRATIVE OFFICER'S REPORT

76R 352M 11/83

BOARD OF
SUPERVISORS
OFFICIAL COPY

COUNTY OF LOS ANGELES

REQUEST FOR APPROPRIATION ADJUSTMENT
DEPARTMENT OF CHIEF ADMINISTRATIVE OFFICEDEPT'S
No.

060

Sept 16, 2003
19

AUDITOR-CONTROLLER.

THE FOLLOWING APPROPRIATION ADJUSTMENT IS DEEMED NECESSARY BY THIS DEPARTMENT. WILL YOU PLEASE REPORT AS TO ACCOUNTING AND AVAILABLE BALANCES AND FORWARD TO THE CHIEF ADMINISTRATIVE OFFICER FOR HIS RECOMMENDATION OR ACTION.

ADJUSTMENT REQUESTED AND REASONS THEREFOR

FY 2003 - 04

4 - Vote

Sheriff's Department-Administration
Decrease Fixed Assets
A01-SH-15684-6030
\$50,000

Sheriff's Department-Administration
Decrease State Revenue SB 90
A01-SH-15687-8843
\$629,000

Sheriff's Department-Custody
Decrease Fixed Assets
A01-SH-15685-6030
\$479,000

Sheriff's Department-Court Services
Decrease Fixed Assets
A01-SH-15686-6030
\$100,000

JUSTIFICATION:

Reflects a reduction in SB90 revenue due to reimbursement for programs being suspended.

CHIEF ADMINISTRATIVE OFFICER'S REPORT

COUNTY OF LOS ANGELES
REQUEST FOR APPROPRIATION ADJUSTMENT
DEPARTMENT OF CHIEF ADMINISTRATIVE OFFICE

DEPT'S. No. 060
Sept 16, 2003

AUDITOR-CONTROLLER.

THE FOLLOWING APPROPRIATION ADJUSTMENT IS DEEMED NECESSARY BY THIS DEPARTMENT. WILL YOU PLEASE REPORT AS TO ACCOUNTING AND AVAILABLE BALANCES AND FORWARD TO THE CHIEF ADMINISTRATIVE OFFICER FOR HIS RECOMMENDATION OR ACTION.

ADJUSTMENT REQUESTED AND REASONS THEREFOR

FY 2003 - 04

4 - Vote

SOURCES:

Probation - Main
Decrease Salaries & EB
A01-PB-17390-1000
\$200,000

USES:

Probation - Main
Decrease Revenue State SB 90
A01-PB-17390-8843
\$200,000

JUSTIFICATION:

Reflects the State's suspension of the SB 90 Domestic Violence Treatment Services Authorization/Case Management Program. 2 Deputy Probation Officer II's will be eliminated.

Robert L. Rouen

CHIEF ADMINISTRATIVE OFFICER'S REPORT

REFERRED TO THE CHIEF
ADMINISTRATIVE OFFICER FOR—

ACTION

APPROVED AS REQUESTED ✓

AS REVISED

RECOMMENDATION

SEPT. 4, 2003
19

S. Kipkawa *for David E. Chandler*
CHIEF ADMINISTRATIVE OFFICER

APPROVED (AS REVISED):
BOARD OF SUPERVISORS

19

AUDITOR-CONTROLLER BY

BY

Concilio Jr

No. 40

Aug 19 2003
Sept. 4

BY

DEPUTY COUNTY CLERK

SEND 6 COPIES TO THE AUDITOR-CONTROLLER